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Contraction of United States Merchandise Trade Surplus

Some Aspects of Foreign Competition in the United States and Abroad

THE FIRST major reversal in the over 2-year downtrend in export sales came during the September quarter. Nonmilitary merchandise exports advanced to a seasonally adjusted annual rate of over $17 billion, about $2 billion more than the recent low reached during the first quarter of the year.

With the recent pickup in exports, the excess of merchandise exports over imports during the September quarter was close to $1.5 billion at a seasonally adjusted annual rate. This represented a major gain as compared with the earlier part of the year, particularly the previous quarter, when the nation's traditional surplus on merchandise trade had practically evaporated. The third quarter trade surplus was still at a rate of less than half the $3.3 billion recorded for the year 1958 and only about one-third as large as in 1956 when exports had hit their pre-Suez high.

Since the first quarter of 1958 merchandise imports have scored an unbroken series of quarterly gains. By the September 1959 quarter, imports were at a seasonally adjusted annual rate $3.3 billion above that for the first quarter of 1958. What is more striking is that nearly $3 billion of the total advance occurred during the brief space of the three calendar quarters ended June 1959, each of which witnessed successive new highs for imports. Seasonally adjusted imports in the third quarter of 1959 established another record of $15.8 billion at an annual rate. The rise over the June quarter was limited to about $100 million, part of which may be attributed to the acceleration of inbound shipments in anticipation of the longshoremen's strike which occurred during the early part of October.

This review first traces comparative trends since 1953 in U.S. exports and imports, classified by broad economic classes and by major product groupings within these classes. By considering exports and imports together, such an approach recognizes that the ability of foreign suppliers to compete with domestic industries in the domestic market affords numerous clues concerning their ability to compete with U.S. exports in foreign markets. The relative adequacy of our export performance at any one time, moreover, depends upon whether or not U.S. receipts from merchandise sales and other types of exports are sufficiently large to cover our payments for current imports of merchandise and to meet other international obligations due.

Net Exports of Finished Manufactures

Finished manufactures comprise the most important single component of U.S. export trade—and our export surplus of manufactured goods has traditionally more than offset corresponding net imports of crude and semimanufactured materials and foodstuffs.

Imports of finished manufactures gained steadily from 1953 to 1957, and yet the advance in exports over this period, amounting to over $8 billion, was more than double the corresponding rise in imports (see chart). With the drop in exports after 1957, however, and the accelerated upswing in imports since that time, the trade surplus on finished manufactures has undergone an almost uninterrupted decline. During the year ended September 1959 it fell to $4.4 billion, the lowest since 1950.

Autos, steel, textiles, oil products: Exports slide—imports up

Our changing trade in autos and parts accounted for over one-half the total drop of $1.7 billion in net exports of finished manufactures in the year ended September 1959 as compared with 1956 [1] (see table 1). In the case of passenger cars, which accounted for most of this decline, the U.S. position shifted from that of a net exporter of over $200 million in 1956 to a net importer of about $450 million in the year ended September 1959. Although the auto industry continues to be a large net exporter of trucks and buses, truck and bus exports are also down and imports up as compared with several years ago. On the other hand, shipments abroad of auto parts for assembly and other parts, accessories and service equipment are currently at the record rate of 1956.

The reversal in our traditional role as a net exporter of finished steel contributed nearly $200 million to the overall dip in proceeds for net exports of finished manufactures during the past year as compared with 1956, and about one-third billion dollars as compared with 1957. Although this recent switch to becoming a net importer of iron and steel may reflect some basic changes in our ability to compete with foreign suppliers, it was also influenced to a major extent, first, by anticipation of, and later, by the actual advent of the steel strike.

A tendency toward weakness in exports of manufactured petroleum products and finished textiles became apparent somewhat earlier than was the case with autos and steel. Petroleum and textiles did not share in the general rise in exports preceding the Suez crisis (1954–56) whereas imports, especially of textiles, made major gains.

The secular downtrend in exports of lubricating oil and gasoline, although temporarily reversed during the Suez crisis, again became evident with the termination of that emergency. The loss in net exports of such finished petroleum products in the year ended September 1959 as compared with 1956 amounted to nearly $120 million.

1. The year 1956 affords a more realistic period for comparison than 1957 when the Suez crisis had a major expansionary influence on exports, particularly to Europe.

Whereas in 1953, net exports of finished textiles had amounted to over $170 million, by 1956 imports had moved ahead of exports. With imports swollen by heavy arrivals of apparel and house furnishings as well as of cloth and other finished materials, net purchases from abroad hit a new record of close to $160 million in the year ended September 1959 (see table 1).

Consumer goods: Imports outpace exports

Exports of finished (nonfood) consumer items, aside from textiles and passenger cars, as a group have climbed gradually and steadily since 1954. The over one-third gain in these shipments from 1954 to the year ended September 1959 is indeed fairly remarkable when viewed against the background of the numerous import restrictions maintained by many foreign countries against such goods. When measured against the corresponding rise of nearly 100 percent in imports, however, the increase in exports appears very moderate. The margin of exports over imports has gradually narrowed from about $230 million in 1953 to less than $15 million in the year ended September 1959.

Machinery: Major role in exports surplus

On a net basis exports of machinery presently account for about 70 percent of our total trade surplus on finished manufactures, as compared with less than one-half in 1953.

Machinery exports during the year ended September 1959 were about 10 percent below their high of $4 billion in 1957; still they were slightly larger than in 1956 and more than 30 percent ahead of 1953. While imports have shown a continuous uptrend since 1954, their value ratio to exports has not risen above one to seven.

Exports of engines, turbines and parts are currently running at the record rate of 1957, while imports, by comparison, continue to be relatively minor. Shipments abroad of construction, excavating and mining equipment and of special-purpose industrial machinery, although presently lagging below the high rate of 1957, are more than two-fifths ahead of exports in 1953. Imports of construction equipment remain negligible while imports of special-purpose industrial machinery are rising but nevertheless continue to be small relative to exports.

In the case of several other individual types of machinery, however, the picture is somewhat different. Whereas currently exports of agricultural machinery are hardly higher than in 1953, imports have almost doubled since 1953 and have become four-fifths as large as corresponding exports. Even though our tractor exports were still seven times as large as imports in the year ended September 1959, exports were slightly lower than in 1953 while imports have made major gains during the past 2 years. Exports of electrical and office machinery have advanced substantially over the period since 1953 and continue to exceed imports by a wide margin; yet the corresponding rise in the value of imports of electrical machinery exceeded that in exports, and the increase in the value of office machinery imports was nearly three-fourths as large as that in exports.

Transportation equipment: Spurt in aircraft exports—railway equipment off

It is true that after nearly tripling in value from 1953 to 1957, aircraft exports declined, falling in the year ended September 1959 to less than half the 1957 amount. However, during the third quarter of 1959 exports staged a major comeback reflecting stepped-up deliveries on foreign orders which presently aggregate at least half a billion dollars. Imports became a factor in our trade picture in 1956; however, the foreseeable rise in exports promises to far overshadow anticipated gains in imports.

Unlike exports of aircraft, exports of railway equipment have displayed little recovery. During the second and third quarters of 1959, such shipments to foreign countries were the lowest since 1952.

Table 1.—U.S. Exports (excl. military aid) and Imports of Finished Manufactures by Selected Product Groupings [1]

[Millions of dollars]

	1953	1956	1957	1958	12 months ended Sept. 1959
Finished manufactures, total					
Exports	7,370	9,297	10,468	9,387	9,248
Imports	2,194	3,221	3,527	3,940	4,837
Net exports [net imports (−)]	5,176	6,076	6,941	5,447	4,411
Machinery and related items, total:					
Exports	2,702	3,523	3,966	3,590	3,564
Imports	221	314	365	416	510
Net exports [net imports (−)]	2,481	3,209	3,601	3,174	3,054
Construction, excavating and mining machinery:					
Exports	474	777	882	695	684
Imports	(2)	(2)	(2)	(2)	(2)
Net exports [net imports (−)]	474	777	882	695	684
Electrical machinery:					
Exports	414	501	572	524	508
Imports	39	86	129	129	149
Net exports [net imports (−)]	375	415	443	395	359
Engines, turbines and parts:					
Exports	147	205	233	226	232
Imports	1	3	5	4	5
Net exports [net imports (−)]	146	202	228	222	227
Machine tools:					
Exports	150	140	182	165	166
Imports	37	25	36	28	30
Net exports [net imports (−)]	113	115	146	137	176
Office machinery:					
Exports	87	116	127	134	139
Imports	11	29	35	38	48
Net exports [net imports (−)]	76	87	92	96	91
Agricultural machinery and equipment:					
Exports	138	127	133	123	141
Imports	60	60	66	93	112
Net exports [net imports (−)]	78	67	67	30	29
Tractors, parts and accessories:					
Exports	341	390	380	311	337
Imports	12	15	15	29	48
Net exports [net imports (−)]	329	375	365	282	289
Autos and parts:					
Exports	962	1,357	1,309	1,084	1,133
Imports	53	145	337	554	792
Net exports [net imports (−)]	909	1,212	972	530	341
Civilian aircraft:					
Exports	91	170	269	217	126
Imports	2	48	13	40	38
Net exports [net imports (−)]	89	122	256	177	88
Railway equipment:					
Exports	107	109	145	203	125
Imports					
Net exports [net imports (−)]	107	109	145	203	125
Textiles:					
Exports	520	452	498	449	434
Imports	348	486	499	503	591
Net exports [net imports (−)]	172	−34	−1	−54	−157
Nonfood consumer goods (excluding textiles and transport equipment):					
Exports	674	794	837	643	890
Imports	443	635	716	535	876
Net exports [net imports (−)]	231	159	121	108	14
Steel mill products:					
Exports	178	224	384	238	165
Imports	122	165	176	161	291
Net exports [net imports (−)]	56	59	208	77	−126
Petroleum products:					
Exports	358	370	386	315	295
Imports	3	33	47	101	77
Net exports [net imports (−)]	355	337	339	214	218
Paper and products:					
Exports	125	198	221	220	252
Imports	636	750	718	670	720
Net exports [net imports (−)]	−511	−552	−497	−450	−468
Medicinals and pharmaceuticals:					
Exports	217	246	285	278	284
Imports	6	9	11	15	19
Net exports [net imports (−)]	211	237	274	263	265

1. Exports of domestic merchandise and imports for consumption.
2. Negligible.

Source: U.S. Department of Commerce, Office of Business Economics, based on Bureau of the Census data.

Paper: Exports up—less reliance on imports

Except for a temporary period of stability from 1957 to 1958, paper exports have gained uninterruptedly, having nearly doubled by the year ended September 1959 as compared to 1953. The further substantial jump in exports during the third quarter of 1959 appears to indicate continued vigor in foreign demand. A glance at the import side of the picture, furthermore, shows that paper stands out among those manufactured commodities for which our reliance on imports has diminished over this period.

Food and Industrial Materials in Trade Balance

The contraction of nearly $1.7 billion in the export surplus of finished manufactures accounted for about half the drop in the Nation's total merchandise surplus from $4.6 billion in 1956 to $1.2 billion in the year ended September 1959. A further factor contributing to the decline was the rise of about $0.4 billion in net imports of foodstuffs. As exports of foodstuffs, aided by Public Law 480 financing, are presently close to the near-record high of 1956, this development reflected primarily the enlarged flow of imports—primarily of meat and cattle.

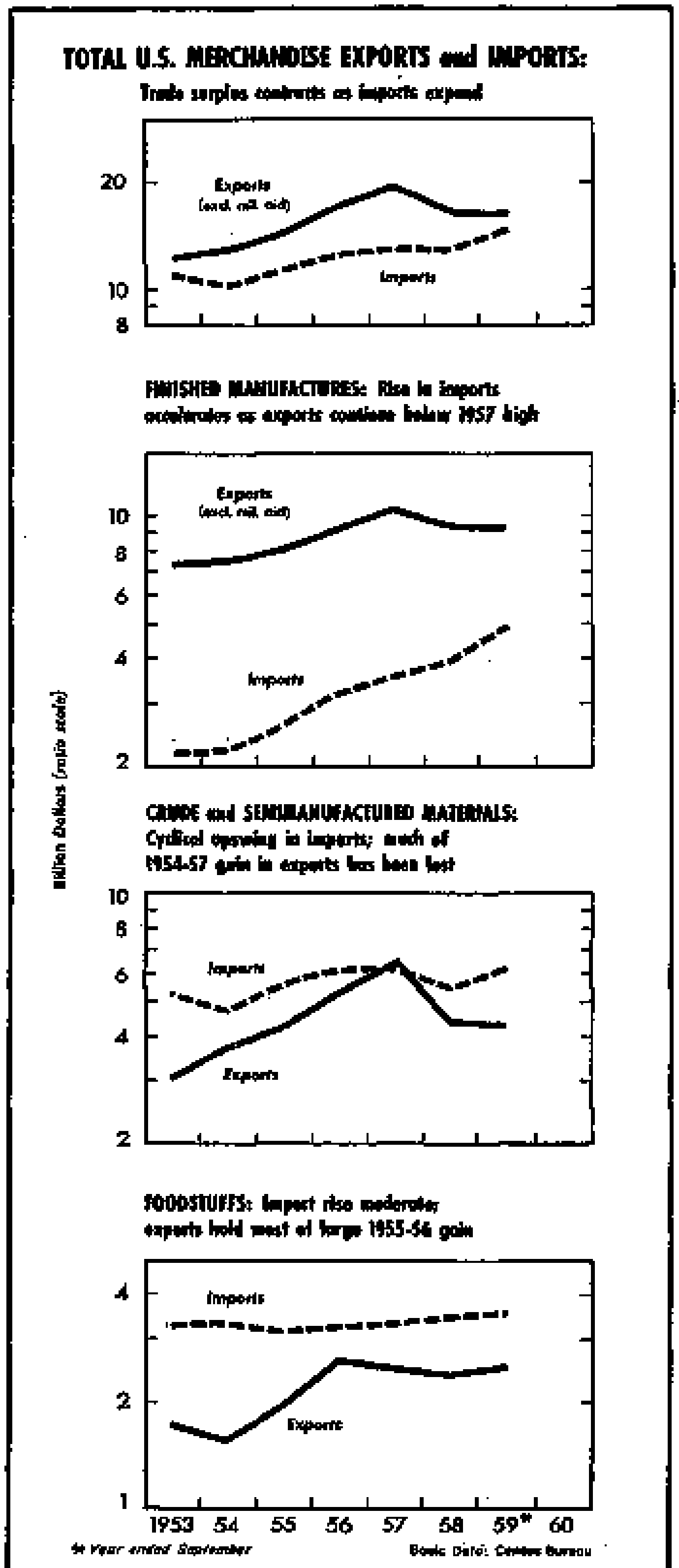
Adverse shift in industrial materials

Far overshadowing the increase in food imports as a factor contributing to the shrinkage of our trade surplus as compared with several years ago, however, was the rise in net payments for crude and semimanufactured materials. In the year ended September 1959 such net payments amounted to $1.9 billion, up $1.1 billion from 1956 (see table 2). Whereas the deterioration in our net trading position for finished manufactures and foodstuffs was due practically entirely to a rise in imports rather than to a drop in exports, the increase in our negative balance on trade in crude and semimanufactured materials resulted almost wholly from reduced exports. During the past year, imports of such industrial materials have undergone a substantial cyclical expansion, yet they aggregated less than $100 million more than in 1956 and less than $50 million more than in 1957. By way of contrast, during the same annual period ended September 1959, exports were $1 billion down from their rate in 1956 and $2.1 billion below their performance in 1957.

The chart shows that in the general upswing of exports from 1953 to 1957 and during the subsequent downturn, shipments of such industrial materials had risen faster and had fallen more sharply than did exports of finished manufacturers. Taking into account the entire period from 1953 to the year ended September 1959, however, the growth in exports of crude and semimanufactured materials, amounting to nearly two-fifths, was relatively much greater than the corresponding expansion of one-fourth in sales of finished manufactures. Over this span of years, moreover, the gain in exports of such materials exceeded the accompanying gain in imports—a development opposite to that occurring in the case of finished manufactures.

Steel and fuel exports: Indications of weakness

A survey of trends in exports and imports of the major product components of the crude and semimanufactured goods category, reveals several of the same tendencies already covered in the discussion with regard to finished manufactures. During the year ended September 1959, the loss in net receipts arising from lower exports and higher imports of semifabricated iron and steel amounted to over $350 million as compared with 1956 and even more as contrasted with 1957. By adding these reductions to the corresponding losses in our net trade position in finished iron and steel (excluding machinery and vehicles), it can be seen that the overall deterioration in our balance of payments due to



changes in steel exports and imports has amounted to well over half a billion dollars since 1956 and more than three-fourths of a billion dollars as compared with 1957.

Except for a temporary spurt during the Suez crisis, exports of crude petroleum have undergone a continuous decline since 1951. Fuel oil has also shared in the secular downtrend characteristic of petroleum exports as a group.

Meanwhile, the rise in the value of oil imports, which had begun as early as 1942, did not terminate until after mandatory quotas had become effective in the spring of 1959. Although as late as 1952 the value of the petroleum exports had been in excess of the value of imports by over $100 million, in 1953 this Nation became a net oil importer. By the year ended September 1959 the margin of imports over exports had risen to over $1.1 billion.

Despite ample evidence that American coal has remained competitive pricewise with foreign coal in markets abroad, exports in the year ended September 1959 fell to $420 million, an amount less than half the 1957 figure and well over $300 million below exports in 1956. Unsold pithead stocks in Western Europe have mounted to record proportions and promise to rise even further in the year ahead as coal becomes increasingly displaced by oil. Hence the present chances for a major revival in coal exports are dubious, particularly since numerous forward contracts for exports have been canceled and import barriers, newly erected by Germany and Belgium, remain in effect.

Cotton: Reversal of export downtrend

Within the industrial materials group, unmanufactured cotton stands out as the fourth major "weak" commodity from the standpoint of export performance (see table 2). The volume of cotton exports during the crop year ended July 1959 was the lowest for any season since 1955–56.

Unlike the instances of iron and steel, petroleum, and coal exports, which offer no present indication of an immediate sharp upturn, cotton exports are apparently headed for a major recovery during the remainder of the current shipping season. In addition to the greater competitiveness of U.S. prices due to lower support prices and the increase in payment-in-kind for exports, other factors favorable to increased exports are expanded consumption abroad, and reduced cotton production and stocks in other countries.

The value of cotton exports during the 9 months ending June 1960 may average close to $0.8 billion at an annual rate. This would be nearly half a billion dollars more than the value in the year ended September 1959.

Chemicals, rubber, fats and oils: Strong export performance

Shifts in trade in a number of other crude and semimanufactured products have considerably strengthened the receipts side of our international ledger. Exports of industrial chemicals have been on a continuous upswing since 1953, and in the year ended September 1959, were more than twice as large dollarwise as in 1953. The relative rise in exports over this period, moreover, was more than double the corresponding advance in imports. On a net basis exports of industrial chemicals are currently at an annual rate of half a billion dollars.

Plastics and synthetic resins stand out among those chemicals experiencing the largest gain in export sales. In the year ended September 1959, such sales were over 200 percent higher than in 1953.

Export markets for synthetic rubber have expanded relatively even faster than those for industrial chemicals. At their new high, reached during the second and third quarters of 1959, they amounted to nearly $190 million at an annual rate. By obviating the need for increased imports of natural rubber, the greater supply of domestically produced synthetic rubber has in recent years had an important bearing on the payments as well as on the receipts side of our balance of payments.

U.S. trade in inedible vegetable oils and oilseeds has also been characterized by an extraordinary gain in exports and a flattening out in imports. Exports during the year ended September 1959 were even higher than in 1957 and exceeded imports by well over $200 million. This was in contrast to 1953 when imports had exceeded exports by a slim margin.

Iron and steel scrap is an erratic performer which merits brief attention. Even with the sharp pickup since early in 1959, the annual rate of exports during the third quarter was still much below that of 1956 and 1957. When contrasted

Table 2.—U.S. Exports and Imports of Crude and Semimanufactured Materials by Selected Product Groupings [1]

[Millions of dollars]

	1953	1956	1957	1958	12 months ended Sept. 1959
Crude & semimanufactured materials, total					
Exports	3,049	5,290	6,352	4,412	4,265
Imports	5,291	6,092	6,131	5,445	6,175
Net exports [net imports (−)]	−2,242	−802	221	−1,033	−1,910
Iron and steel mill products:					
Exports	306	527	609	326	297
Imports	103	46	36	70	162
Net exports [net imports (−)]	203	481	573	256	135
Steel scrap and pig iron:					
Exports	11	313	383	104	133
Imports	30	27	23	23	39
Net exports [net imports (−)]	−19	286	360	81	94
Coal and related products:					
Exports	346	746	846	534	421
Imports	4	5	6	4	4
Net exports [net imports (−)]	342	741	840	530	417
Petroleum, crude:					
Exports	50	90	173	16	8
Imports	510	838	980	943	894
Net exports [net imports (−)]	−460	−748	−807	−928	−886
Fuel oil:					
Exports	145	175	278	119	100
Imports	238	384	497	499	518
Net exports [net imports (−)]	−93	−209	−219	−381	−418
Copper, unwrought:					
Exports	80	211	242	203	148
Imports	420	451	350	210	197
Net exports [net imports (−)]	−340	−240	−108	−7	−49
Cotton, unmanufactured:					
Exports	522	728	1,059	661	351
Imports	42	24	52	29	27
Net exports [net imports (−)]	480	704	907	632	324
Other textile fibers and semimanufactures:					
Exports	272	304	327	302	215
Imports	536	487	447	369	381
Net exports [net imports (−)]	−264	−183	−120	−67	−166
Industrial chemicals:					
Exports	304	506	570	584	661
Imports	106	120	129	130	158
Net exports [net imports (−)]	198	386	441	454	503
Rubber:					
Exports (mainly synthetic)	20	97	133	117	168
Imports (mainly natural)	340	406	356	250	356
Net exports [net imports (−)]	−320	−309	−223	−133	−188
Sawmill products:					
Exports	65	88	89	78	83
Imports	236	306	242	264	334
Net exports [net imports (−)]	−171	−218	−153	−186	−251
Paper base stocks:					
Exports	28	91	103	84	97
Imports	301	342	313	310	332
Net exports [net imports (−)]	−273	−251	−210	−226	−235
Tobacco, unmanufactured:					
Exports	341	334	359	354	368
Imports	82	90	97	108	110
Net exports [net imports (−)]	259	244	262	246	258
Oilseeds and inedible vegetable oils:					
Exports	147	294	363	268	373
Imports	157	129	136	133	154
Net exports [net imports (−)]	−10	165	227	135	219
Hides and skins:					
Exports	37	59	59	56	60
Imports	74	66	40	54	94
Net exports [net imports (−)]	−37	−7	19	2	−34

1. Exports of domestic merchandise and imports for consumption.

Source: U.S. Department of Commerce, Office of Business Economics, based on Bureau of Census data.

with the very low shipments in 1953 and 1954, however, the third quarter annual rate of $200 million is high.

Trade With Industrialized Countries

As the bulk of the gain in imports and the drop in exports since 1956–57 was in finished manufactures and industrial materials, respectively, it is not surprising that most of the recent shrinkage in our overall export surplus resulted from changes in trade with other industrialized countries.

Whereas in 1956 merchandise exports to Western Europe and Japan had been $2.8 billion in excess of corresponding imports from these countries, during the year ended September 1959, the margin of such exports over imports contracted to only one-third billion dollars. (The latter figure includes $400 million for Western Europe and an import surplus of nearly $70 million vis-a-vis Japan.) Hence changes in trade with these two areas alone accounted for about three-fourths of the nearly $3.4 billion decline in the Nation's total merchandise export surplus since 1956 and about two-thirds of the $4.9 billion drop as compared with 1957.

As a factor contributing to the curtailment of our export surplus with Western Europe and Japan since 1956, the rise in imports of $1¾ billion overshadowed the $0.7 billion drop in exports. In the year ended September 1959, imports from Western Europe totaled nearly $4.3 billion, a jump of almost one-half as compared with 1956. At the same time, the $0.9 billion of imports from Japan reflected an advance of two-thirds since 1956.

Small rise in imports from other areas

The rise over the same period in merchandise imports from the entire rest of the world, including Canada, amounted to less than $0.4 billion. If the extraordinary increase in imports from Hong Kong is excluded, the rise in imports from this grouping in the year ended September 1959 as compared with 1956, amounted to hardly more than 3 percent.

Imports from nearby Canada were about the same as in 1956; purchases from the Latin American Republics were less than 2 percent above 1956; and imports from Africa and Southeast and Eastern Asia (excluding Japan and Hong Kong) were even slightly lower than in 1956. Only from Oceania and the Middle East have there been appreciable gains in imports since 1956.

The use of 1953 instead of 1956 as a yardstick does not significantly change the picture. Whereas imports from major industrial overseas countries are more than twice as large as in 1953, our purchases elsewhere in the world have advanced in the aggregate by about one-seventh.

Exports to Europe in long-term rise

It is true that notwithstanding their decline as compared with 1956 and 1957, exports to Western Europe during the year ended September 1959 were still nearly three-fifths—about $1¾ billion—ahead of 1953. This was a far greater expansion than that occurring in our exports to other areas, but it did not match the corresponding rise in imports from Western Europe. The result was a one-quarter billion dollar dip in our export surplus with Western Europe in the year ended September 1959 as compared with 1953.

The rise of one-fourth in exports to Japan since 1953 fell nearly one-half billion dollars short of the increase in imports from Japan over this period. This change, together with that occurring in trade with Western Europe, adds up to a total decline from 1953 to the year ended September 1959 of nearly three-quarter billion dollars in our net receipts from trade with industrial countries overseas.

Export surplus with other areas increases

Notwithstanding this major reduction since 1953 in net receipts from merchandise trade with Western Europe and Japan, the overall merchandise export surplus of nearly $1.2 billion in the year ended September 1959 was still no lower than it had been in 1953. Over this period the rise of nearly one-fourth in exports to the rest of the world including Canada, amounting to over $2 billion, had been both relatively and absolutely much greater than the corresponding one-seventh increase in imports, amounting to $1.2 billion, from these countries.

Comparative Trends in World Markets

The world's leading manufacturing centers—the United States, Japan, and the OEEC countries[2]—all showed considerable gains in exports[3] between 1953 and 1957. As Europe's export trade revived from the destructive effects of World War II, its relative growth during 1953–55 was greater than that in U.S. exports. In the next 2 years, however, the spurt of U.S. exports was not matched by Europe, despite the large gains recorded by Germany and Italy, that area's fastest growing exporters. Japan's progress was more rapid than any of its competitors during the whole period since 1953, although its previous gains, like Europe's, had been severely restricted as an aftermath of World War II.

The year 1958 witnessed a flattening out in exports from both Europe and Japan and a sharp decline in U.S. exports from 1957's record high. By early 1959, however, exports from both OEEC countries and Japan had resumed their upward climb and for the first half of the year were at a new record rate, reflecting primarily large gains in sales to the United States and Canada.

United States remains world's leading exporter

Even during the first half of 1959, the trough of this country's recent export cycle, U.S. merchandise exports of nearly $8 billion (excluding military aid shipments) were two-thirds greater than the $4.8 billion shipped by the United Kingdom, its leading competitor in terms of dollar value, and three-fourths ahead of exports from Germany, its leading European competitor in terms of rapidity of growth. Japan still had an export market less than one-fifth as large as that of the United States.

Exports from the United Kingdom have undergone a relatively modest growth, advancing by about one-fourth from 1953 to 1957 and rising only very little since. France also experienced only a comparatively mild growth in its exports until 1957 when export sales began to rise at a faster rate than those of the United Kingdom.

In contrast to exports from Britain and France, Germany's and Italy's sales to world markets have shown an outstanding growth. Exports from Germany have surged ahead by over a hundred percent since 1953. By the first half of 1959, they were only 5 percent lower than the United Kingdom's, compared to more than 40 percent less in 1953.

Recent losses in Canadian market

Our leading markets have experienced a general penetration by our major competitors since the early 1950's and a more pronounced penetration during the weak period of this country's latest export cycle.

2. Free Europe, excluding Spain, Finland, and Yugoslavia.
3. Including their exports to each other and including intra-OEEC trade.

The U.S. share of Canada's total imports, which in 1953–56 had fluctuated between 73 and 74 percent, declined in 1957 by several points as U.S. exports to that country fell while Europe's shipments to Canada rose. In 1958, Canada's imports from the United States underwent a further contraction of nearly $500 million; shipments from Western Europe and Japan showed slight gains. Thus, the U.S. share of the Canadian market slipped to below 70 percent while Europe's share rose to 16 percent. Data for recent months of 1959 reveal that Europe's share of Canada's total import trade is currently at its postwar high while the U.S. share, at slightly under two-thirds, is lower than in any postwar years. In the September quarter, nevertheless, the U.S. contribution of $3.7 billion (annual rate) to Canada's imports was six times larger than that of the Uinted Kingdom, Canada's second largest supplier.

Germany's and Japan's roles as Canadian suppliers have shown the most outstanding growth. Yet their combined exports to Canada in 1958 were only a third as large as Britain's and less than 5 percent as great as those of the United States.

Canada's last business recession, which began in the latter part of 1957, was characterized by a substantial decline in investment expenditures for large resource development projects at the same time that consumer expenditures were quite well maintained. Consequently, there was a contraction in Canada's demand for capital equipment—heavy construction, excavating, mining, and other types. The United States was the predominant supplier of such imports. Stability and subsequent growth in demand for consumer-type manufactures from Europe and Japan—textiles, clothing and accessories, and passenger cars—coincided with the shrinkage of long-term investment.

Pattern in Latin America

Among the less industrialized areas of the world the Latin American countries represent the largest markets for U.S. exports. Although the U.S. share in total Latin American imports declined slightly in 1954 and 1955, it subsequently recovered and in 1957 amounted to 53 percent, a portion even slightly higher than in 1953. As Latin America's imports dropped sharply in 1958, the United States—which had experienced the largest previous gains—bore the brunt of the decline and its share in the total fell to below one-half. Latin America's imports have dipped further in 1959 with arrivals from the United States again accounting for most of the drop.

Germany, with a share of about 9 percent, is currently Europe's largest Latin American supplier. Japan supplies less than 3 percent of Latin America's imports.

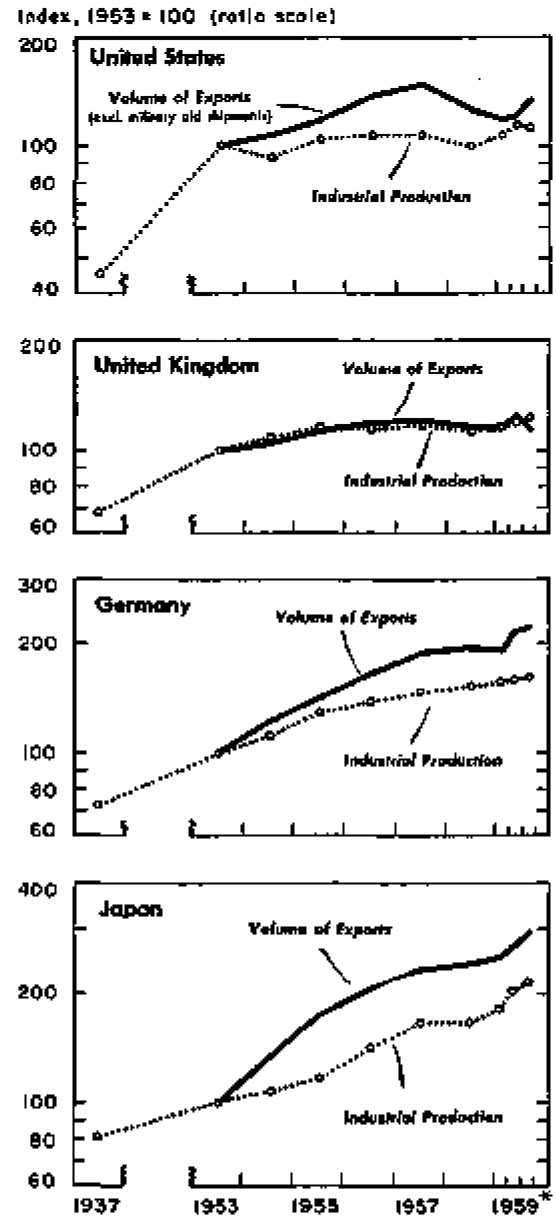
U.S. aid a factor in other nonindustrial areas

The countries in Asia, Africa, and Oceania look to Europe and Japan as their principal sources of imports. Exceptions are the Philippines, where traditional political and economic ties are prevailing influences, and some countries in Southeast Asia—principally Formosa and the Republic of Korea—which are large recipients of U.S. aid.

Generally speaking, the aid recipient countries in the post-World War II period have substantially increased their proportion of imports from the United States as compared to prewar years. To illustrate, India obtained only 7 percent of its imports from the United States in 1937. Since 1953 its reliance on U.S. supplies has varied between one-eighth in 1954 to almost one-fifth in 1958, depending largely on shifts in movements of grain and cotton under grant aid and the Public Law 480 program.

Among the other major nations, the Philippines, Australia, and the Union of South Africa have registered no such major changes in their preference for the United States as a supplier between the prewar and postwar periods. In these countries, nevertheless, some changes in the importance of the United States as a supplier have occurred during the 1950's. The U.S. share of imports into the Philippines has shifted steadily downward from three-fourths in 1953 to somewhat over one-half in 1958; in the Union of South Africa it remained fairly stable at nearly one-fifth until 1958, when it dipped to around 17 percent; and it described a U-shaped pattern in Australia, dipping below one-eighth in 1954–55 and moving moderately above that share in 1957–58.

Volume of Exports and Industrial Production: Four Countries



Basic data: BFC, UN, & OEEC

*Industrial production, seasonally adjusted. Volume of Exports: United States seasonally adjusted; other countries not seasonally adjusted and 3rd quarter is provisional

U. S. Department of Commerce, Office of Business Economics 59-12-6

Competitive Position in Exports of Manufactures

The U.S. share in total exports of manufacturers [4, 5] by all industrial countries [6] has been falling since the early 1950's. Although the fall was interrupted during the export boom of 1956 and 1957, the U.S. share of about 28 percent in the latter year was around one point less than in 1953 (see table 3). A number of European countries also had smaller shares of the world market than in 1953, despite uninterrupted gains in their exports during this period.

The common denominator in this deterioration of the relative positions in world trade of the United States and of others was the outstanding advance in exports recorded by Germany, Japan, and Italy. As these advances slowed between 1957 and 1958, and U.S. exports dropped sharply, the market share of all the other European nations either stabilized or moved slightly higher. The U.S. share meanwhile dropped to a little above one-fourth in 1958 and dipped below one-fourth in the first half of 1959 as exports continued to lag. Competitor countries—paced by Germany, France, Netherlands, and Japan—increased their exports of manufactures during 1959, mostly to the United States.

United States still leads; United Kingdom loses second place

Despite the slippage in its share to about one-fourth, the United States remained the world's leading exporter of manufactured goods by a margin of more than a fifth over its second place competitor in the first half of 1959. A striking feature of this comparison is the identity of the second place contender (see table 3). In 1953, the United Kingdom was the runner up; it held a margin in manufactured exports of three-fifths over next-place Germany. During the following years, however, Germany increased its exports to such an extent that this margin was eliminated by 1958. In the first half of 1959, with exports of both countries on the rise, Germany succeeded in pushing the United Kingdom out of second place.

Competitor countries expand output

Those countries which experienced the largest expansions in export sales since 1953 are the ones which had the largest gains in production and which consequently became able to supply and sell an enlarged and more diversified volume of goods (see chart). Earlier the aftermath of the war and needs at home had meant limited opportunities for export.

In the third quarter of 1959, the seasonally adjusted index of industrial production in Japan was over double the average for 1953. In Germany, where output had risen relatively faster than in the other OEEC countries, production was over three-fifths ahead of 1953. These increases far exceeded the corresponding rise in industrial production in the United Kingdom, just as the relative rise in exports from these countries had overshadowed the gain in exports from the United Kingdom.

Unlike the United States where the transition to a vigorous peacetime economy was completed soon after World War II, Europe and Japan did not emerge from the recovery stage until considerably later. It is, therefore, not surprising that the increase in industrial production in Continental Western Europe and Japan since 1953 has been relatively greater than in the United States. Nor is it surprising, in view of the major role which exports have traditionally played in the economies of other industrialized countries, that these countries often gave priority to rebuilding and expanding their export industries.

Capital equipment: United States major supplier

The U.S. share in world exports of capital equipment is considerably higher than its relative contribution to world exports of most other types of manufactured goods.

In 1958, the United States accounted for the following portions of world exports: construction, excavating, and mining equipment, over three-fifths; tractors, nearly half; agricultural machinery and trucks and buses, over two-fifths. Other capital equipment items for which the United States supplied a third or more of world exports in 1958 were machine tools and metalworking machinery, office machinery, aircraft, and railway equipment (see table 4).

Notwithstanding these relatively high ratios, our 1958 shares in world exports of all these items (except railway vehicles) were lower than in 1953. Except for railway vehicles and machine tools and metalworking machinery, the U.S. shares had also declined as compared with 1956 and 1957.

An examination of the relative performance of U.S. and foreign countries' exports of these products gives some indication as to which U.S. export items appear to be suffering from a long-term "structural" decline and which to abnormal factors or short-term cyclical fluctuations.

Table 3.—Exports of Manufactured Goods [1] from United States, Japan, and Western Europe to the Free World

[In billions of dollars and percent share of each country to combined total]

From:	Combined U.S., Japan and OEEC [2]		United States [3]		Japan		OEEC countries of Western Europe: Germany		United Kingdom		France		Italy		Other OEEC	
To		*Percent*		*Percent*		*Percent*		*Percent*		*Percent*		*Percent*		*Percent*		*Percent*
1953:																
Free world	$25.8	*100*	$7.3	*28*	$1.0	*4*	$3.6	*14*	$5.8	*23*	$2.4	*10*	$.8	*3*	$4.3	*17*
Free world, excl. U.S.	22.9	*100*	7.3	*30*	.9	*4*	3.3	*14*	5.5	*23*	2.3	*10*	.7	*3*	3.8	*16*
1954:																
Free world	27.5	*100*	7.5	*27*	1.4	*5*	4.3	*16*	6.0	*22*	2.7	*10*	.9	*3*	4.7	*17*
Free world, excl. U.S.	26.2	*100*	7.6	*28*	1.2	*5*	4.1	*16*	5.7	*22*	2.5	*10*	.8	*3*	4.3	*16*
1955:																
Free world	31.5	*100*	8.4	*27*	1.7	*5*	5.1	*16*	6.6	*21*	3.0	*10*	1.1	*3*	5.6	*18*
Free world, excl. U.S.	28.7	*100*	8.4	*30*	1.4	*5*	4.6	*16*	6.2	*21*	2.9	*10*	1.0	*3*	5.0	*17*
1956:																
Free world	35.8	*100*	9.9	*28*	2.1	*6*	6.1	*17*	7.2	*20*	2.9	*8*	1.3	*3*	6.3	*18*
Free world, excl. U.S.	33.5	*100*	9.9	*30*	1.7	*5*	5.6	*17*	6.7	*20*	2.8	*8*	1.2	*3*	5.7	*17*
1957:																
Free world	39.8	*100*	11.0	*28*	2.6	*6*	7.2	*18*	7.6	*19*	3.3	*8*	1.6	*4*	6.7	*17*
Free world, excl. U.S.	37.3	*100*	11.0	*30*	2.0	*5*	6.0	*16*	7.0	*19*	3.1	*8*	1.4	*4*	6.1	*16*
1958:																
Free world	38.7	*100*	9.7	*25*	2.4	*6*	7.4	*19*	7.4	*19*	3.4	*9*	1.6	*4*	6.7	*17*
Free world, excl. U.S.	35.9	*100*	9.7	*27*	1.9	*5*	6.8	*19*	6.9	*19*	3.2	*9*	1.4	*4*	6.1	*17*

1. Consisting of SITC sections 5, 6, 7, and 8 (chemicals, manufactured goods, machinery and transport equipment, and miscellaneous manufactured articles).
2. Includes intra-OEEC trade, but excludes exports of Switzerland.
3. Excludes special category exports, which are comprised of military and strategic goods, whether shipped as aid or for cash.

NOTE.—Detail may not add to totals because of rounding.

Source: U.S. Department of Commerce, Office of Business Economics, based on U.N. and OEEC foreign trade data.

4. The following discussion should be prefaced with a reminder that the foreign trade statistics on which it is based, may not be entirely comparable for the various exporting countries. They have been extracted for the most part from publications of a number of international organizations prepared from separate submissions by the reporting countries. Since national requirements for foreign trade reporting differ from country to country, it is often difficult for each reporter to achieve a precise reconciliation to the commodity classifications and definitions required by the international agencies. The data are believed to be sufficiently reliable, however, to be used as a basis for tracing approximate changes.

5. Sections 5, 6, 7, and 8 of the *Standard International Trade Classification* (excluding U.S. special category exports) encompass the commodities used here and throughout the following pages to define exports of "manufactures," "finished manufactures" and similar terms. This definition differs from the U.S. Census classification of finished manufactures in several important respects; for example, petroleum products are not included here while, on the other hand, pig iron and a large number of steel products considered as "semifinished" in the Census classification are here represented (under Section 6) as manufactured products.

6. Under this definition, the terms "all industrial countries," or "world" exports, wherever used, will refer to the United States, OEEC (excluding Switzerland), and Japan. Although an industrial country, Canada is a principal supplier of primary materials and has not been considered here as a major competitor in world trade in manufactures.

In order to eliminate the distorting effects produced by the considerable increases in Western Europe's and Japan's trade with the Soviet bloc in Europe and Asia, the data have been adjusted wherever possible to exclude these destinations.

The recent dip in the U.S. share of the world market for construction, excavating, and mining machinery appears to be of a temporary or cyclical nature. The decline in U.S. exports after 1957 was heavily concentrated in reduced shipments to Canada and Latin America, areas experiencing downturns in the investment cycle and reductions in the inflow of U.S. direct investment capital. The minor role of competition is evidenced by the fact that Europe's two leading exporters shipped a combined total of $25 million of such equipment to Canada and Latin America in 1958, only 7 percent of what was suplied by the United States.

In the case of commercial aircraft exports, the market advantage has seesawed between the United States and Britain. Between 1953 and 1955 larger U.S. exports of conventional-powered aircraft gave this country a rising share of the market. Subsequently, the United Kingdom gained the upper hand with its successful marketing of the turboprop aircraft. The introduction of large, jet-type passenger planes, however, which are becoming the dominant type of air transport, and for which large foreign orders have been placed with the United States, foretells a rising importance for this country in the world market.

The U.S. share of world exports of railway equipment also expanded after 1953. While the vigorous upswing in our exports was reversed in 1959, this reversal is as yet too short-lived to conclude that this country's comparative advantage has changed.

U.S. exports of metalworking machinery and machine tools (including rolling mills) claimed a larger share of the world market in 1958, almost two-fifths, than in any other year since 1953.

Construction equipment, aircraft, railway vehicles, machine tools, and rolling mill equipment are all costly long-lead items, for which delivery dates and credit terms are major considerations influencing the choice of a supplier. The extension of long-term export credits by the Export-Import Bank has therefore been an important factor in maintaining our competitive position for such exports.

Table 4.—Exports of Manufactured Goods from the United States, Western Europe, and Japan Combined [1] to the Free World, and U.S. Share of Combined Total, by Selected Commodity Groupings

	Value of exports from United States, Japan, and OEEC [2] combined (millions of dollars)				Percentage share from United States			
	1953	1956	1957	1958	1953	1956	1957	1958
Total manufactured goods	25,316	35,890	39,808	38,709	29	28	28	25
Chemicals	2,416	3,816	4,263	4,228	31	33	33	32
Machinery and transport equipment	10,343	14,771	16,753	17,087	38	36	34	30
Other manufactures	12,558	17,213	18,792	17,324	20	20	20	19
Selected machinery and transport equipment:								
Construction, excavating and mining machinery	728	1,066	1,227	1,081	64	70	70	66
Metalworking machinery and machine tools	425	827	798	908	45	36	37	39
Power generating machinery	640	884	1,048	1,119	29	27	27	24
Other industrial machinery [3]	2,073	2,960	3,397	3,383	33	33	33	31
Electrical machinery and appliances	1,740	2,468	2,719	2,843	55	48	48	46
Office machinery	199	319	374	410	46	60	57	54
Agricultural machinery	244	267	287	288	67	47	44	45
Tractors	546	685	698	644	63	59	55	48
Commercial aircraft	278	425	632	600	46	45	49	39
Railway vehicles	412	434	480	567	20	20	30	36
Commercial motor vehicles (trucks, etc.)	1,262	1,910	1,961	1,834	60	50	48	43
Passenger cars	844	1,344	1,031	1,884	34	26	20	14
Ships and boats	665	1,111	1,383	1,359	7	5	3	6
Selected other manufactures:								
Paper and paperboard	442	698	737	714	19	21	22	23
Iron and steel	2,432	4,022	4,799	3,917	20	21	22	16
Miscellaneous metal manufactures	1,116	1,531	1,704	1,674	24	23	23	22
Textile yarn and thread	690	783	833	724	9	8	8	10
Cotton fabrics	1,006	841	1,019	934	19	17	17	17
Other fabrics	960	1,208	1,295	1,128	12	10	9	8

1. Including exports to each other, and including intra-OEEC trade; excludes exports to Soviet bloc in Europe and Asia.
2. Excluding Switzerland's exports.
3. Other than construction, metalworking, and power generating machinery.

Source: U.S. Department of Commerce, Office of Business Economics, based on U.N. and OEEC foreign trade data.

Some machinery and autos in longer decline

In the case of agricultural machinery and industrial tractors, the U.S. share has declined steadily since 1953 (see table 4). U.S. exports of office machinery—including card punching machines, electronic computers, and other complex, newer types of equipment—have risen almost steadily since 1953, yet German and Italian exports have advanced relatively even faster.

The recent weakness in foreign demand for U.S. commercial motor vehicles (trucks, buses, etc.) can be identified, at least in part, with reduced investment activity in Canada and Latin America where this country is the predominant supplier. However, in European and other markets, evidence of Europe's increased penetration is more clear.

The decline in the U.S. share of world exports of commercial motor vehicles from around one-half in 1956 to not far above two-fifths in 1958 was not so great a market deterioration as that experienced by our passenger car exports which showed a steady decline from over one-third of the world total in 1953 to less than one-seventh in 1958.

Performance of other machinery exports

Of the three remaining capital equipment groups studied for their competitive performance, the "other industrial machinery" group turned in the best showing (see table 4). This group contains many items of an innovation or highly technological character for which this country retains a comparative advantage because of the existence of its own domestic mass market. Among these items are specialized processing and wrapping machines, commercial refrigeration and air conditioning equipment, and industrial control instruments.

Table 4 shows that the shares of the United States in world exports of electrical machinery and power generating equipment were not so well maintained.

Chemicals and paper strong; steel lags

U.S. exports of manufactured chemicals have maintained a nearly one-third share of a consistently rising world market with considerable relative stability over the entire period since 1953.

Our paper and paperboard exports have advanced without interruption to a current position between a fifth and a quarter of the world total.

The decline of a half billion dollars in U.S. exports of iron and steel from 1957 to 1958 was no larger in value terms than that experienced by Europe. Since the proportional drop was much greater than that for Europe, however, and since Japan's steel exports rose slightly in 1958, the U.S. share of world steel exports sagged—to one-sixth. Earlier, however, strong foreign demand during the 1953-57 boom period abroad, exceeding foreign capacity to meet it, had advanced this country's steel exports at a faster rate than aggregate exports from competing steel producers.

This situation may recur as once again European steel production appears to be pressing on capacity, with shortages developing especially for steel sheets—an item in which the United States is estimated to have a substantial price advantage and for which foreign demand is on the rise due to continually expanding automobile production. Moreover, a strong revival of the investment cycle in Canada and Latin America, would provide an additional stimulus to higher U.S. exports of steel products.